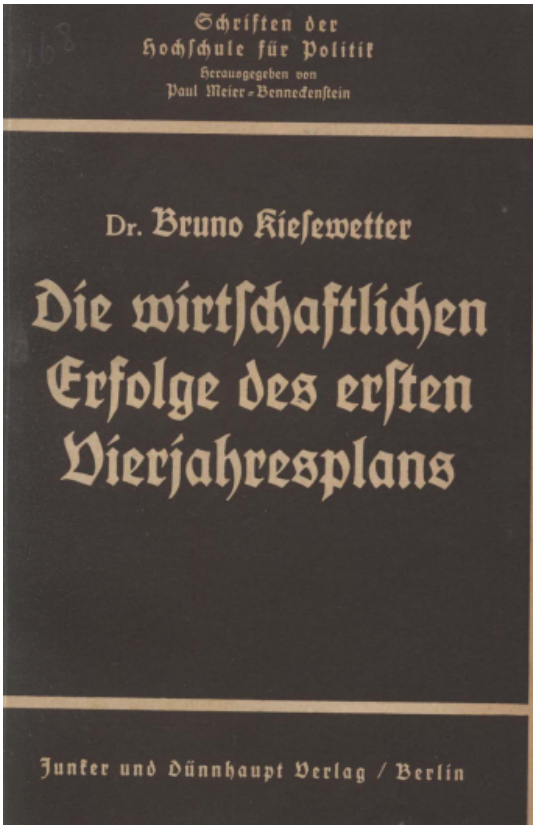
**Publication of the German School of Politics**
**Edited by Paul Meier-Benneckenstein**

# The Economic Successes of the First Four-Year Plan
## by Dr. Bruno Kiesewetter[1]




**1938**
**Junker and Dünnhaupt Verlag/Berlin**

[1] Dr. Keisewetter was a German economist who worked in a variety of NSDAP offices, as well as being the Director of Studies for the German School of Politics in 1935. After the war, Dr. Keisewetter became a Professor of Economics at the Free University of Berlin, writing works about the economy of the Eastern Bloc. He died in 1968.

**All rights reserved, especially the right to translate into other languages. Copyright 1937 by Junker and Dünnhaupt Verlag, Berlin. Printed in Germany.**

**Printed by Hofbuchdruckerei C. Dünnhaupt, R.-S., Dessau.**

Over the past four years, Germany has experienced an economic boom that borders on the miraculous; however, the special nature and uniqueness of this upswing, and the recognition of the actual reasons and sources from which it flowed, have remained hidden even from economic "experts."
Various ideological standpoints prevented a proper understanding from emerging. Everyone measures things with the standards they have been taught, and only gradually are people breaking away from the old world of ideas and filling concepts that they had previously only learned to use in a very specific sense with new content—content that is determined by the special nature of the German people and therefore cannot be expressed in internationally valid terms. It is therefore important to reflect on the national character in order to fill the hitherto more or less formal, and therefore international, concepts with genuine national life and thus, by putting oneself in the place of the other, to remove the last obstacles that have prevented full clarity about what is happening in Germany.
This applies in general, but especially to the field of economics. National Socialism has achieved successes here that no one, not even the most malicious, can deny today: when it took power on January 30th, 1933, the collapse of the German economy was predicted within a very short time, and no one expected National Socialism to be able to repair the damage. If things turned out differently, it was certainly not magic, nor was it a credit or money market miracle, because miracles do not happen in economics; this turn of events can be attributed solely to the fact that, in contrast to liberal and Marxist economic views that had prevailed until then, National Socialism turned away from the overvaluation of purely material and economic factors and found other starting points for the so-called "stimulation" of the economy - ideological reasons therefore led to these successes. It was not only the new evaluation of the "economy" within the framework of all national life processes, but also the revaluation of the factors active in the economy itself.

It therefore seems appropriate to consider three aspects:

1. the personal-human aspect,
2. the material aspect, and
3. the functional-organizational aspect

In January 1933, the German economy had around 7 million unemployed. Together with their families, 21.5 million people were living on public assistance at that time; almost 3 billion Reichsmarks had to be spent annually from public funds to support the unemployed. The unemployment problem had a completely different significance for the German economy than for economies outside Germany; this was due to Germany's rapid industrial development and the particular age structure of the German population. In the short span of 50 years, Germany had undergone a fundamental transformation from an agricultural to an industrial nation - in 1875, two-thirds of the German population still lived in rural areas, i.e., in communities with fewer than 2,000 inhabitants, and one-third in urban communities with more than 2,000 inhabitants. After 50 years, the ratio had reversed completely, with the turning point coming at the turn of the century. The enormous growth of the capital goods industry, a distinctive feature of industrial development, increasingly absorbed the growing population that could not live from work for domestic consumption; while in 1875 35% of all employees worked in the capital goods industry and 65% in the consumer goods industry, the ratio was 51% to 49% in 1925 - in absolute terms, the number of people employed in the means of production industry increased by about three and a half times in these 50 years, while in the consumer goods industry it increased only by one and three-quarters times. Of the 5.5 million

increase in the male workforce in the 50 years from 1875 to 1925, 4.5 million were absorbed by the means of production industry alone; this change in the structure of the German economy had linked Germany very closely to the world market and developments in foreign economies through its export needs, making the development of the German economy largely dependent on the decisions of foreign governments. The export industry created by Germany was largely dependent on food sales and raw materials; as a result, setbacks in the global economy hit the German economy directly and with full force, leading to crises and extensive layoffs.

On one hand, these special circumstances of the German economy made it impossible to secure at least a minimum level of employment; on the other hand, due to the age structure of the German population, it was precisely the productive age groups, which predominate in the German population, that were pushing their way onto the labor market; the situation was made even worse for Germany by the fact that its raw material base had been reduced by the cessions under the Treaty of Versailles and, in view of the enormous debts it had incurred as a result of its misguided reparations policy, it had no access to foreign capital markets and was limited to its own national capital fund.

Applying the familiar principles of capitalism, it was impossible to reorganize the situation as it stood, and a revaluation within the economy was necessary; this was inevitable given that Germany had a surplus of labor. Under these circumstances, the decisive factor was the deployment of labor, not the willingness of capital to make itself available for job creation. For the vast majority of the German people, as for any other people, labor is the only basis for sustaining life - when considering the people as a whole, this fact could not be overlooked; the primary task was therefore to stimulate the economy through the use of labor; only through the increasing scope of employment was the real capital that had been lying idle until then gradually reintegrated into the production process and, from an economic point of view, became capital in the first place. The increase in the production of goods and the stimulation of the circulation of goods created new opportunities for the previously reluctant money capital to earn income, so that, in the truest sense of the word, labor first created the capital, which then became available over time.

Since entrepreneurial initiative was lacking in the German economy during the crisis years, the state had to take the initiative; in times of crisis, entrepreneurs withdraw their capital from their businesses and leave it idle; they do not produce, or only produce partially, and consequently do not buy raw materials or work to stock. These freed-up funds float around the economy and seek investment—short-term investment, because the uncertain economic conditions mean that there is no confidence in long-term investment - only the consistent and purposeful National Socialist economic policy created the basis for all economic activity, namely confidence in the stability of conditions. The commitment of all the willpower of the state then succeeded in virtually eliminating unemployment.

National Socialism regards work as the fundamental principle of the economy; work is the only basis for the livelihood of every member of the nation and thus for the preservation of the nation; material goods (capital, raw materials) can be viewed in isolation from human beings, but work cannot.

Work is not only the highest expression, but also the most direct expression of life of every personality; if National Socialism therefore places work in the foreground, this is the consequence of another economic principle it represents: that man is at the center of the economy, not capital. National Socialism stripped work of its exclusive character as a capitalist cost factor; it is not a calculation item within capitalist economic accounting, but has its own very special value; that is why it must be protected in material terms in terms of the product of labor, and in moral terms in terms of the honor of work - without honor

there is no personality. It is therefore understandable that, from this point of view too, the concept of honor plays such a decisive role in the National Socialist worldview.
The possibility of utilizing the labor force is guaranteed by the state through the realization of the right to work, in that everyone who wants to work is offered the opportunity to do so; this frees work from the dictates and rational considerations of capital and increases its value. In an ideal sense, the honor of work is protected by social honor courts and the elimination of class differences within the workplace, which were essentially based on higher incomes, i.e., capitalist factors; the company community now unites workers and entrepreneurs as "labor representatives of the German people." The new evaluation of work—also in the consciousness of the workers themselves—is expressed above all in the fact that the working members of the national community, i.e., precisely those with lower incomes, are enabled by the "Strength Through Joy" organization to participate in the cultural assets of the people. Culture is not the prerogative of the wealthy or even the rich, but, in the words of the Führer, "the highest communal achievement of a people."
The change that took place within the German economy as a result of this special valuation of work led to an increase in the number of people in regular employment from 12.5 million in April 1932 to 18.8 million at the end of May 1937, according to health insurance statistics, i.e., an increase of 6.3 million. Compared to the end of January 1933, the number of people employed in the German economy was 7.3 million or 64% higher, meaning that the difference of 1 million represents the additional absorption of population growth into the production process during this period.

By shifting the focus to the use of labor, it was possible to employ the underutilized production apparatus of German industry on a massive scale: the production index for German industrial production, which stood at 54 on average for 1932, rose to 118.5 by April 1937. The increase was most significant in the production goods sector: the overall index for production goods rose from 45.7 to 126.4 during the period in question. Since the economic upturn, like every previous economic boom, could only be achieved by stimulating the capital goods market, the index for capital goods, which had reached its lowest point during the crisis at 35.4, rose to its highest level, namely 129.4 (April 1937). The value of this increase in investment for total gross industrial production can be seen from the fact that investment of 5.1 billion Reichsmarks in 1933 accounted for 13.5% of gross industrial production at that time, but by 1936, with a total of 13.8 billion Reichsmarks, it already accounted for 21.2%, i.e., more than one-fifth.
Of all new industrial workers hired in the three years from mid-1933 to mid-1936, 80% were taken on by the capital goods industry. The investments were mainly public; their share was around 70% in 1933.
In the meantime, employment in the German economy has reached the limits of its capacity in key production areas: production in the iron industry is 30% above the level of the boom year 1928; the capacity of the coal mining industry, which is subject to increased demands under the Four-Year Plan, is no longer sufficient and must be expanded; in April 1937, the German machine industry had a capacity utilization rate of 94%.
The German motor vehicle industry is a particularly instructive example of the economic revival brought about by the measures of National Socialism: the production index for motor vehicles as a whole rose from 26 (1932) to 146.6 (1936) and 155.4 (first quarter of 1937). Despite this enormous progress in the motor vehicle industry, however, Germany still lags far behind other countries in terms of the number of motor vehicles in use; for example, at the beginning of 1928, there was one motor vehicle for every 134 inhabitants in Germany, compared to one for every 54 at the beginning of 1936. The comparative figures for Great Britain are 35 to 23, for France 43 to 20, and for the USA 5 to 4.8.

This revival of the German economy is naturally reflected in an increase in income and consumption: the German national income rose from 45.3 billion RM in 1932 to 61.5 billion RM in 1936; earned income accounts for 57% of this and rose from 20 billion RM in 1933 to 35 billion RM in 1936, an increase of 9 billion RM. Although the collectively agreed hourly wage rates have remained unchanged since 1933 and amount to 78.3 pfennigs for male skilled workers in the highest wage category and 62.2 pfennigs for unskilled workers, income from work in the German economy has increased not only as a result of the rise in the number of people in employment, but also because of the higher value placed on quality work - the number of hours worked rose from 7.88 billion in 1932 to 14.52 billion in 1936.
In addition, there has been a shift in income levels: in disability insurance, the wage groups with a gross wage of up to 30 RM fell from 73.4% (1933) to 62.3% (1936), while those earning over 30 RM rose from 26.6% to 37.7%.
On average, the real purchasing power of wages increased by 10% between 1933 and 1936; similarly, corporate earnings are showing an upward trend. Corporate tax revenue in the 1932/33 fiscal year amounted to 106 million RM compared with 1,047 million RM in the 1936/37 fiscal year; this is partly due to the 50% increase in corporate tax. According to estimates by the Institute for Economic Research, based on 1,500 stock corporations with a nominal capital of around 10 billion RM, a loss balance of 4.8% of equity capital in 1932 was offset by a surplus of 4.7% in 1935, which was not much lower than the profit of 5.1% in 1928. However, when comparing with 1928, the different price levels must be taken into account - in 1935, wholesale prices were around 26% lower than in 1928, and prices for production goods were around 17% lower; in addition, Germany's exports at that time were two-thirds higher than in 1935.
The increase in income is reflected in an increase in consumption and a revival of retail sales, the best indicator of consumption among the broad sections of the population: between 1933 and 1936, these sales rose by around 6 billion RM to 27.8 billion RM, or by 27.5%. This also reflects the change in price levels. However, since the cost of living index shows that prices for food rose by only 10% and for clothing by only 17% between the first quarter of 1933 and the first quarter of 1937, compared with a 27.5% increase in retail sales, the supply of everyday goods to the population has improved significantly in purely quantitative terms. A typical example is beer consumption, which rose from 331 million hectoliters in 1933 to 395 million in 1936; at the same time, cigarette consumption rose from 32.8 billion to 58.2 billion, and cigar consumption from 6.3 billion to 8.3 billion. If, according to estimates by the Institute for Economic Research, retail sales in 1936 were still about 10% below the 1929 level in terms of volume, while this high level in the capital goods industry has long since been surpassed, this is a sign that consumption had to lag behind the enormous requirements for investment, as is naturally the case in every economic upturn. The production index for consumer goods rose from a monthly average of 74.0 (1932) to 95.6 (1936); for the first quarter of 1937, it even reached 103.3, exactly the same level as in the first quarter of 1928.
From 1927 to 1936, we experienced a population increase (including the incorporation of the Saar region) from 63.25 million to 67.35 million, i.e., by 6.5%; added to this is the fact that, with continuing full employment, the German population is gradually enjoying a higher standard of living, so that the conditions for a further increase in consumer goods production are favorable. If consumption has lagged behind the production of means of production up to now, this was also due to the fact that the consumer goods sector is much more dependent on the supply of foreign raw materials.

This is precisely where the second four-year plan is so important for the further development of the German economy, and this brings me to the material side of the German economy - let me take the textile industry as an example. In the past, this industry was dependent on foreign countries for 95% of its raw materials; in 1936, however, Germany was already covering only 557,000 tons, or two-thirds, of the German textile industry's total fiber requirements of around 840,000 tons through imports; the rest was covered partly from stocks, but for the most part (around 200,000 tons) from domestic production. Despite the considerable restrictions on imports, the value of sales in textiles and clothing increased by around 2.3 billion RM between 1933 and 1936, accounting for almost 15% of Germany's gross industrial production (around RM 66 billion) with a total of over 9 billion RM; however, monthly average production in the textile industry rose only from 79.2 (1932) to 98.5 (1936), and capacity utilization from 50.4% to 62.6%.

Germany has achieved tremendous progress in the field of agricultural raw materials in these three years: the area under flax cultivation has increased tenfold so that Germany now produces 80% of its flax consumption itself, compared with 15% in 1933. To improve wool production, the sheep population has been increased from 3.4 million in 1933 to around 5 million in 1937 and will be further expanded. The share of domestic production of agricultural raw materials rose from 29% in 1927 to 43% in 1935; the importance of artificial silk need not be emphasized further in this context. Germany's cellulosic fiber production rose from 7,000 tons to 45,000 tons in three years (1936). Production facilities have now been expanded to an annual output of at least 75,000 tons. At the beginning of 1938, monthly production stood at 11,000 to 12,000 tons, which corresponds to more than a quarter of the wool and cotton imported in 1936 (approximately 450,000 tons).

The scarcity of raw materials and the lack of understanding that Germany repeatedly encounters in this regard from the imperial great powers are forcing Germany to make greater use of its own raw material reserves and to build up an industry for raw synthetic materials. In Germany's most important ore-bearing region, the Siegerland, ore production increased by around 30% between 1932 and 1936, reaching almost 1.6 million tons in 1936; this is, of course, negligible compared to iron ore imports of 18.5 million tons in the same year. The expansion of domestic fuel production has progressed to such an extent that, even taking into account certain reserves for an increase in demand in the coming years, Germany will be able to cover its fuel requirements, of which it was previously dependent on imports for up to 80%, entirely from its own production within three years; the production of synthetic rubber (Buna), which has only been underway for a few months, has yielded such satisfactory results that the production facilities of the first large Buna plant have already been expanded to a capacity that will cover more than a third of German demand.[2]

In addition to the supply of raw materials, securing the food supply for the population is a major objective of a genuine national economic policy. Germany lags far behind other countries in terms of its food supply - excluding Great Britain, Belgium, and the Netherlands, the amount of land used for agriculture per 100 inhabitants is 43 hectares in Germany, 51 hectares in Italy, 77 hectares in Poland, almost twice the German figure in France and Denmark (83 hectares), and 301 hectares in the United States. In addition, Germany does not have supplementary space in colonial territories like other countries; the limited German living space is contrasted by a population that has grown by around 4 million in the last 9 years

[2] For further details, see: Kiesewetter, “Die neuen Aufgaben der deutschen Volkswirtschaft” (The New Tasks of the German Economy) (Publications of the German College of Politics, Issue 26). Published by Junker und Dünnhaupt, Berlin, 1937.

and will continue to grow by around 450,000 annually. At the same time, the standard of living is particularly high due to the changing age structure of the German population. Per capita consumption in kilograms has risen from an average of 1909/13 to:

| | 1909/13 | | 1933 | 1936 |
|---|---|---|---|---|
| Butter | von 6,4 | auf | 7,3 | 8,0 |
| Fisch | „ 9,2 | „ | 10,0 | 13,2 |
| Zucker | „ 18,2 | „ | 22,0 | 23,6 |
| Fleisch | „ 45,0 | „ | 51,0 | 51,7 |

**In order: Butter, fish, sugar, meat**

Considering that German soil is not particularly favored by nature in terms of quality and climate, and that as a result of the progressive increase in population and the fulfillment of public tasks in recent years, agriculture and 370,000 hectares of land have been lost for transport facilities, housing, etc., the achievement of the Reich Food Administration, which increased the share of domestic production in the food industry from an average of 75% in the years 1928 to 1932 to 83% in 1936, is all the more remarkable; it is particularly important to close the gaps in supply, some of which are still considerable in individual areas, for example, about 25% for milk and dairy products and about 45% for edible fats; the only solution here is to intensify agriculture, which can be achieved by reducing the price of fertilizers, cultivating higher-yield crops, providing loans, and, last but not least, expanding and improving the area used for agriculture.

For land improvement purposes, the Reich government has earmarked funds of around 1 billion RM for the years up to 1940, with which around 2 million hectares of land are to be improved. In addition, new farming communities are to be created; for this purpose, an area of 222,000 hectares was made available between 1933 and 1935, and particular attention was paid to ensuring that the farms were large enough to provide food for one family; as a result, the proportion of farms larger than 10 hectares increased from 27% (1919/21) to 50% (1932) and to just over 70% (1935). The idea of National Socialist settlement was not implemented on the basis of a purely mechanical division of land and a change in ownership, as was previously the case with the well-known “agrarian reforms,” but was based on the idea of connecting land and people on the basis of a new land law; here, too, one can again observe the strong emphasis on personality and the individual in National Socialist economic policy. Neither the farm nor the farmer can be viewed separately as an individual enterprise or as an individual person - together, they represent the unit that is integrated into the comprehensive community of the Reich Food Administration, which is run by the farmers themselves. This unity of farm and farmer, of material and man, is made the bearer of tasks and duties for the whole; only in this unity can the tasks for the benefit of the entire people be fulfilled.

To secure the income of farmers for their hard work, the State Food Society has created a market regulation system; this is intended to achieve the greatest possible freedom from the speculative price formation tendencies of the international market, because the food of a people cannot be an object of speculation; the Reich Food Administration therefore introduced fixed prices for individual production areas and for individual products. When one considers that in the last 1 1/2 years (December 1935 to the beginning of June 1937) the world market price for wheat and oats rose by 35%, for rye by 60%, for barley by 75%, and corn by 88%, it is easy to see not only the uncertainty of price formation but also the additional burden on the German foreign exchange balance.

The following information suffices to recognize the full significance of market regulation for German food conditions: in terms of quantity, German agricultural production has risen since 1925, apart from crop failures; in terms of value, however, from 1924/25 to 1928/29 and only again after the National Socialists came to power in 1932/33 until now, an increase in value parallel to production volumes can be observed; between 1928/29 and 1932/33, however, there was a slump in prices on the market for agricultural products. While production volumes in these years were 102, 105, 105, 108, and 104, the monetary value of this production fell from 14 billion RM to 13.5 billion RM, 11.6 billion RM, 10.1 billion RM, and 8.7 billion RM; however, it is precisely this discrepancy between quantity and market value that is at the root of the purchasing power problem in agriculture. During these years, enormous speculation completely ruined the market and reduced farmers to beggary - in Germany, between 1924 and 1932, an area of around 700,000 hectares, equivalent to the total agricultural area of Thuringia, was sold off in compulsory auctions, and in addition, between 1930 and 1932 alone, compulsory auctions were already initiated for a further 1.019 million hectares of farmland. In the eight years from 1924/25 to 1931/32, German agriculture accumulated debts of 5.9 billion RM, while in the four years from 1932/33 to 1935/36, it repaid 0.9 billion RM. Through market regulation, the Reich Food Administration ensures that a balanced movement between the quantity and value of goods is guaranteed; the income of independent farmers increased from 0.3 billion RM to 2.3 billion RM between June 1933 and June 1936, i.e. by 2 billion RM.

This brings me to the third major problem - in an economy as cramped and debt-ridden as Germany's, with such a shortage of essential raw materials and a surplus of human labor, organizational and functional problems are bound to play a decisive role - an appropriate and expedient allocation of the individual forces active in the economy must be created. Recourse to foreign sources of aid, for example in the form of loans, was not possible and is strictly rejected by the National Socialist government; Germany therefore had to make do with the existing capital and credit volume in order to get the economy back on track.
In itself, a well-developed production apparatus was available, but it was only operating at a third of its capacity; credit opportunities also existed, but they were not taken advantage of by entrepreneurs due to a lack of initiative and confidence. If the government wanted to mobilize these credit reserves, it had to summon the courage to take on debt itself; however, the most appropriate and productive use of the entire credit apparatus for the purpose of economic recovery could only be achieved by consolidating all credit channels and placing them under the strict control of the Reichsbank. Through various job creation programs, the government had a decisive impact on the economy through indirect or direct measures; it obtained the necessary funds by anticipating the money market, i.e., the market where the funds released by the crisis were seeking short-term investment. The only credit instrument that could be used for this form of financing was the bill of exchange. The investments made during the last four years from 1933 to 1936, amounting to 38.2 billion RM, were offset by short-term debt of the Reich, including the Reichsbahn and Reichspost, amounting to 5 to 6 billion RM.

According to official figures, the development of the Reich's debt since 1932/33 is as follows:

| | Fundierte Schuld | davon Neuverschuldung | | Schwebende Schuld | zus. |
|---|---|---|---|---|---|
| | | Ausland | Inland | | |
| | Mllrd. | Mllrd. | Mllrd. | Mllrd. | Mllrd. |
| 1932/33 | 9,756 | 2,587 | 2,751 | 1,641 | 11,397 |
| 1936/37 | 12,897 | 1,448 | 7,818 | 2,608 | 15,505 |

**First column: deep-seated debt; second column: new debt, foreign/domestic; third column: outstanding debt; fourth column: total**

The increased lending by the Reichsbank through its rediscount commitments for the various special bills of exchange, which thereby turned these bills into first-class liquid investment securities for the banks; the increase in banknote and coin circulation, which gradually rose with rising employment, and the involvement of the Reichsbank's subsidiary institutions in the same credit policy gave the other credit banks an important guarantee of liquidity and acted, so to speak, as the initial spark for a general loosening of the money market and a relaxation and activation of the entire banking system. Once the central bank has provided the impetus, the loosening continues automatically - frozen debtors thawed, their repayments increased the liquidity of the banks, which were able to satisfy new credit demands from the private sector, while companies with public contracts were able to finance themselves by discounting public bills of exchange and did not need bank loans, so that the banks could devote themselves to strengthening the capital market. Statistics on the total bill of exchange circulation, including the job creation bills issued by the Reich, show an increase of around 7 billion RM between April 1933 and April 1937; the Reichsbank, including the Golddiskontbank[3], which issues the well-known promissory notes, accounts for around 2.4 billion RM of this increase, the savings banks and giro centers for around 1.9 billion RM, and private credit banks for 1.7 billion RM. The expansion of the bill of exchange circulation did not lead to any threat to the currency and thus to inflationary tendencies – the increase in the German price level compared to 1932 is attributable to other reasons.

Inflation is unthinkable in Germany - the total money supply in banknotes and coins at the end of May 1937 was 6.83 billion RM, 1.351 billion RM above the level at the end of May 1933; while this represents an increase of 25%, it should be noted that retail sales rose by around 35%, meaning that the circulation of means of payment lagged behind the circulation of goods. The Reichsbank's credit and capital market policy has succeeded in making the credit banks more self-reliant: their bill liabilities to the Reichsbank fell by over 1 billion RM between April 1933 and April 1937, while the bill portfolio they financed with their own funds increased by around 4 billion RM during this period. The German economy is in a state of extensive self-financing, which will now benefit the special raw material investments of the second four-year plan.

This loosening of the entire German economy is also reflected in a remarkable strengthening of the capital market: since the seizure of power, interest rates have been reduced from 6% to 4.5% to 5% for long-term loans, where previously interest rates were 15% and higher; however, the interest rate reduction did not only apply to officially listed public bonds, debentures, and mortgage bonds totaling around 10 billion RM, but also to private mortgages. The law of July 2nd, 1936, established reference interest rates of 5% for first mortgages and 5.5 to 6% for second mortgages; in the event of refusal by the creditor, the court shall decide; since the law came into force until April 1st, 1937, i.e., in three quarters of a year, only

[3] A state owned special bank founded in 1924 to promote German exports.

10,000 such applications have been filed, covering approximately 170 million RM. Considering that the private mortgages subject to this law amount to at least 6 billion RM, it is clear that the reduction in interest rates has been largely voluntary. At the same time, in connection with this interest rate reduction measure, the Reich has issued fund bonds amounting to 5.8 billion RM over the last two and a half years, with a continuous improvement in the terms of issue; in addition, in the first half of 1937, a large number of industrial bonds and shares were placed on the capital market to finance fuel and electricity plants (200 million RM). Savings deposits rose from 11.5 billion RM in 1932 to 15 billion RM in the first half of 1937; life insurance capital investments increased by 1.5 billion RM between 1933 and 1936 - taking into account the creation of enterprise reserves and capital formation among the private public, the Reich Statistical Office calculated the total amount of all monetary capital that became available in the German economy in 1936 alone to be approximately 5 billion RM; added to this is capital formation in public budgets. Total tax and customs revenues of the Reich, the states, and municipalities rose from 10.2 billion RM in the 1932/33 fiscal year to 15 to 15.5 billion RM in 1936/37, while at the same time expenditures for unemployment assistance fell from around 2.8 billion RM to 865 million RM (1936). If we take the crisis level of 1932/33 as the zero line, so to speak, and compare it with the tax revenues generated by the German economy in the following years, this results in additional revenues for the public sector totaling 15.6 billion RM for the years up to 1936/37; added to this is the issuance of 5.5 billion RM in Reich bonds; the “miracles” so often assumed therefore lie in skillful capital market management and tight control of the credit markets with a view to the urgent tasks facing the state - the secret of German financial and banking policy lies in this credit and financing discipline.

Despite these enormous tasks imposed on the German economy by the state, it has even reduced its foreign debt - total German foreign debt fell from 33.3 billion RM at the end of 1930 to 17.0 billion RM at the beginning of 1936; foreign short-term loans subject to moratorium alone were reduced from 4 billion RM at the beginning of 1933 to around 1 billion RM at the beginning of 1937; this reduction in value is only partly a consequence of currency devaluations.

Germany has repeatedly stated that it intends to pay its debts; to do so, however, it needs to increase exports and activate the trade balance. In contrast to the pre-war period, the trade balance is of crucial importance for Germany - before the war, Germany had 20 to 25 billion RM in capital investments abroad, which were stolen from it; from these investments, 800 to 1,000 million RM flowed back to Germany annually in the form of interest, which it was able to use to pay its import surplus. Today, Germany has an annual debt service of 650 million RM that exceeds its capacity to pay, of which, however, only slightly more than 200 million RM can be transferred due to special payment agreements and special arrangements; the rest remains in Germany and increases the foreign exchange liabilities of the German debt balance.

Beyond the current level, Germany could even expand its economic activity and, as has been noted, is not hindered in this by a shortage of skilled workers or even by financing difficulties, but rather by a shortage of the necessary raw materials; however, exports are needed to procure these raw materials. Foreign countries could participate to a large extent in the economic recovery in Germany by satisfying German import demand, if world trade could be freed from the senseless shackles in which it is bound; while the volume of world production rose from its low point in 1932 to 103 in 1936 (+29%), world trade increased only from 74.5 to 86.1 (+16%) during the same period. Germany has attempted to negotiate trade agreements with other countries in order to achieve a reasonable exchange of goods, initially without success - in the fall of 1934, it was forced to restructure its foreign trade on the basis of the “New Plan” to

meet the requirements of international payments. Despite the difficulties, Germany succeeded in improving its foreign trade balance from a deficit of 284 million RM (1934) to a surplus of 550 million RM (1936); unfortunately, however, this has not yet resulted in an effective increase in foreign exchange earnings for Germany, as some deficits from earlier clearing agreements still have to be settled.
In order to fundamentally change this situation, which threatens the very basis of the German economy, and to guarantee the most basic security of existence and sovereignty in the economic sphere, Germany has embarked on its second four-year plan—not to become "self-sufficient" and isolate itself from the world, but precisely to be able to produce the goods it needs for its existence; this will therefore result in an increase in foreign trade. Germany's development into an industrial nation through the establishment of a huge manufacturing industry, as described above, alone indicates that Germany cannot and does not want to turn its back on world trade.

The pressure on Germany's foreign exchange balance is not only material, i.e. due to a lack of raw materials, but also price-related; in this area, Germany has deliberately distanced itself from speculative "world market trends" and, through its pricing policy, has prevented uncontrollable speculation, which is often unjustifiable on economic grounds, from affecting the German price structure; I have already pointed this out to the Reich Economic Council.
While the world is experiencing an almost fantastic rise in prices in all areas, which, for example, pushed up the overall index of world raw materials by 42% in April 1937 compared with April 1935, Germany has maintained remarkable stability in its internal price and cost levels, even though Germany's economic capacity is being fully exploited in many areas and, according to prevailing economic opinion, price increases would therefore be inevitable; last year, for example, between April 1936 and April 1937, the index of prices determined by foreign factors rose by 12.1%, while that of prices determined by domestic factors rose by only 0.5%. Measured by the wholesale index, the overall price level in Germany rose by only 1.7% in the nine months from June 1936 to April 1937; however, the price level in the countries that had concluded the well-known currency agreement to stabilize prices rose significantly more during the same period, namely by around 22% in England and by as much as 46% in France. The official index of German share values rose from 99.3 in May 1936 to 111.8 in May 1937, i.e. by 12.5%, while share prices in the devaluation countries rose by 50 to 60% since autumn 1936; if Germany wants to implement its volume-based economic policy, it must guarantee a low price level in line with economic requirements while maintaining the same wage levels; the appropriateness of the price policy pursued to date led to the appointment of the Reich Commissioner for Price Formation in October 1936, which represents a decisive step in National Socialist economic policy.
In an economy in which the production of capital goods increased by 110% in 1936 compared to 1933, but the production of consumer goods increased by only 19%, price tensions are bound to arise in the long run; many of the manufactured goods, such as highways, Reich autobahns, transportation facilities, port and canal construction, ships, cannons, and airplanes, have no regular market and cannot be sold over the counter, so to speak. However, the income generated within the production of goods in the form of wages and salaries for those employed there does not remain in this sphere of production, but appears as purchasing power on the consumer goods market; the consumer goods market (food, textiles, clothing, household goods, etc.) is much more dependent on the purchase of foreign raw materials than the production of goods; additionally, consumption in general had to be neglected in favor of the greater tasks on the production goods side—it first had to bear the burden of financing these tasks, because the money had to come from somewhere given the limited national capital fund.

This situation, however, cannot last - we have now reached the point where the increase in income is likely to lead to higher consumption; given the existing shortage of goods, this will result in price increases of such magnitude that they could jeopardize the entire price level of the economy. As already mentioned, one of the major tasks of the second four-year plan is to remedy this situation by broadening the domestic raw materials base - the rise in prices for foreign raw materials, the initially higher cost of producing domestic synthetic raw materials, and the conversion to processing these new materials—all of this requires greater capital expenditure, which is bound to push prices up. In order to achieve the balance that is absolutely necessary in the general economic interest and especially in the social policy interest, i.e., in the interest of lower incomes, and not to mercilessly expose economically weak livelihoods to the brutal interplay of supply and demand, strict price controls have been established in the second four-year plan. The price commissioner sees his task as finding the "economically justified price," by which he means a sales price that in no case may be higher "than is necessary to cover the operating costs of production and distribution, including reasonable depreciation, and to achieve a reasonable profit."

This is the realization of German socialism; it is important to maintain a price level that can be considered "justified" in view of the conditions and necessities that exist in a national economy. This price level must be calculated at the lowest limit of production costs; only such a price will be able to not only meet all other demands placed on an economy, such as taxes, social security contributions, renewal of the production apparatus, etc., but also, on the other hand—always to the extent possible—to enable all eligible income earners to enjoy the goods produced and thus ensure the greatest possible participation of the greatest possible number of citizens in the national product - this alone can be the goal of a socialist economy and a true national economic policy.